Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

The week started with the President's implementation of tariffs on Canada, Mexico and China that sent shock waves through the capital markets and retaliatory responses from the leaders of those countries. President Trump has telegraphed his intentions to use tariffs to level the playing field and put America first but, additionally, he needs revenue to support other parts of his agenda including further tax cuts and deficit reduction. Before close of business Monday, Mexico, Canada and the US agreed to postpone the implementation of tariffs for a month in the hopes of reaching a more permanent compromise. We have stated often that the bark may be harsher than the bite. Any sustained tariff war will ultimately increase inflation, lower economic growth and the pain will be felt by consumers as they absorb the higher prices of impacted goods. This is not what the administration would prefer despite the President's comments to the contrary. In the end, these are two of the US's most important and reliable partnerships, so a beneficial agreement is in the best interest of all.

The 10% tariffs on Chinese goods, however, was not postponed, and it went into effect on schedule. China responded by announcing it will put tariffs of 15% on coal and LNG in addition 10% on crude oil and some motor vehicles. They also identified individual companies doing business there to target such as Google, possibly Apple, export controls on rare earth metals and blacklisted Illumina and PVH, owner of Calvin Klein. Can the European Union be next in the crosshairs? The markets retreated between 0.24 and 0.54 for the week with the 10-year treasury backing up to 4.50% after hitting 4.44% earlier in the week. Telecom, Oil & Gas, Financials and Utilities were the stalwarts. As expected, the markets are broadening as value is outperforming growth, non-US is strong and small caps are competitive too.

Turning to the economy, there was plenty of economic data releases during the week but none more anticipated than non-farm payrolls on Friday. The US economy added 143,000 jobs vs the estimate of 175,000. Wages rose 0.5% m/m; much hotter than the expected 0.3% and the unemployment rate fell to 4% from 4.1%. Year over year wage gains were up 4.1% vs 3.9% expected. More people are entering the workforce evidenced by the Labor Force Participation rate of 62.6 vs 62.5. These strong results give more support that the Fed will be on pause indefinitely.

Other announcements of note were the ISM surveys both manufacturing and services. The manufacturing index broke 50 for the first time since 2022. Prices, production, employment and new orders all rose in a long-awaited rebound for a sector that now appears to be brightening and stood in stark contrast to the counterpart services component that has been strong for some time. Clearly, we are, for the moment, seeing a more balanced outlook.

Construction has struggled in recent years, but spending ended 2024 on a better-than-expected note gaining 0.5% in December. Private single-family construction and home improvement outlays propelled the increase. Private nonresidential spending also had a slight gain however traditional office, warehouse and retail spending remained subdued partially offset by data center build outs.

The upcoming week will continue with earnings from the likes of McDonalds, Coke, Cisco Systems, CVS, Applied Materials, Deere, and Vertex Pharma. So, we will see results from a broad range of companies and sectors. To date, approximately 310 companies have reported with nearly 80% beating earnings. Interestingly guidance broadly has been cautious bringing into question the anticipated 15% year over year earnings growth that many have forecasted. One shouldn't be surprised to see revisions in the coming months as investors get more clues about the administrations upcoming plans.

On the macro front, the Consumer Price Index will be reported Wednesday. The estimate is 2.9% and 3.2% for core. On Friday, we get retail sales for January. The forecast is flattish after an increase of 0.4% in December. Industrial production is also scheduled for release Friday. The forecast is for 0.3% in January.

Market Scorecard:	2/7/2025	YTD Price Change
Dow Jones Industrial Average	43,303.40	4.13%
S&P 500 Index	6,025.99	2.45%
NASDAQ Composite	19,523.40	1.10%
Russell 1000 Growth Index	4,109.75	1.67%
Russell 1000 Value Index	1,901.68	4.26%
Russell 2000 Small Cap Index	2,279.71	2.22%
MSCI EAFE Index	2,385.34	5.26%
US 10 Year Treasury Yield	4.50%	-28 basis points
WTI Crude Oil	$72.53	-1.27%
Gold $/Oz.	$2,798.41	9.23%

BeaconTrust 163 Madison Avenue, Suite 600 | Morristown, NJ 07960 | 973.377.8090 | BeaconTrust.com